

CITY OF ROCK VALLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS

For the Year Ended
June 30, 2014

**CITY OF ROCK VALLEY, IOWA
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CITY OF ROCK VALLEY, IOWA

OFFICIALS

Name	Title	Term Expires
Kevin Van Otterloo	Mayor	January, 2016
Dale Kooima	Mayor ProTem	January, 2018
Mark McGill	Council Member	January, 2016
Jeff Koldenhoven	Council Member	January, 2016
Bonita Van Otterloo	Council Member	January, 2018
Jeremy Van't Hul	Council Member	January, 2018
Tom Van Maanen	City Administrator	Indefinite
Tina Vande Kampe	City Clerk	Indefinite
Maureen McGill-Hoogeveen	Attorney	January, 2015
Jenny Winterfeld	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Rock Valley, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of June 30, 2014, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rock Valley's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 24 through 25, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2015 on our consideration of the City of Rock Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rock Valley's internal control over financial reporting and compliance.


Certified Public Accountants

Le Mars, Iowa
May 27, 2015

CITY OF ROCK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013-2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 10.7%, or approximately \$480,000 from fiscal year 2013 to fiscal 2014 due to reduction in interest income and charges for services. Property tax increased approximately 4.8%. Taxes collected in fiscal year 2013 totaled \$1,059,129 and \$1,109,946 in fiscal year 2014, an increase of \$50,817 due to continued residential, commercial and industrial development in Rock Valley. Local Option Sales Tax receipts decreased \$13,913 from fiscal year 2013 to fiscal year 2014 due to a small down turn in taxable sales in Sioux County. Intergovernmental receipts increased 11.3% or \$46,336 from fiscal year 2013 to fiscal year 2014 due to the City receiving CDBG funds in fiscal year 2014 and none in fiscal year 2013. Tax increment financing revenue decreased 5.4% or approximately \$73,600 from 2013 to 2014 is due to the 5% commercial and industrial rollback that went into effect in 2014.
- Disbursements of the City's governmental activities increased 33.7% or approximately \$1,727,650 in fiscal year 2014 from fiscal year 2013. Of this total increase, approximately \$1,562,000 is related to the Highway 18, 10th Avenue and 30th Avenue projects. Debt Service increased \$27,295 and Public Safety decreased \$74,144.
- The City's total cash basis net position decreased 47.0% or approximately \$301,000 from June 30, 2013 to June 30, 2014 due to the number of capital projects outstanding and the timing of bond issuance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government –Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position – Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position presents is divided into two kinds of activities:

- Government Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and the electric system. These activities are financed primarily by user charges

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Sewer Fund, Garbage Fund and Campground Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$894,798. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2014	2013
Receipts		
Property Taxes	\$ 1,109,946	\$ 1,059,129
TIF Revenue	1,289,016	1,362,663
Local Option Sales Tax	360,843	378,015
Licenses and Permits	6,090	5,040
Use of Money and Property	7,150	19,807
Charges for Services	449,208	616,311
Intergovernmental	457,133	410,797
Special Assessment	5,590	3,550
Contributions	40,179	-
Interest on Investments	5,213	-
Reimbursements	27,519	-
Miscellaneous	215,742	612,869
Total Receipts	3,973,629	4,468,181
Disbursements:		
Public Safety	651,381	725,525
Public Works	328,111	300,265
Culture and Recreation	536,499	527,853
Community and Economic Development	497,446	434,955
General Government	476,150	363,621
Debt Service	1,846,219	1,818,924
Capital Projects	2,528,976	966,494
Total Disbursements	6,864,782	5,137,637
(Decrease) in Cash Basis Net Position – Before Transfers	(2,891,153)	(669,456)
Total other financing sources	1,996,355	1,397,000
Cash Basis Net Position – Beginning of Year	106,825	(620,719)
Prior Period Adjustment	(76,631)	-
Cash Basis Net Position – Beginning of Year, Restated	30,194	(620,719)
Cash Basis Net Position – End of Year	\$ (864,604)	\$ 106,825

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City's property tax rate for fiscal year 2014 was at 13.33984%, which remained at the same rate as it was in fiscal year 2013. The Council continues to try to attain a lower tax as the property tax base increases.

The cost of all governmental activities increased this year by 33.6%, to \$6,864,782 compared to \$5,137,637 last year. The increase in disbursements is due to the Highway 18, 10th Avenue and 30th Avenue projects.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30,	
	2014	2013
Receipts:		
Operating Receipts:		
Water	\$ 778,910	\$ 626,466
Sewer	758,744	487,446
Garbage.....	274,006	451,459
Campground	109,842	131,356
Sale of Capital Asset	65,250	-
Intergovernmental Revenue	34,923	-
Total Receipts	2,021,675	1,696,727
Disbursements:		
Operating Disbursements:		
Water	604,694	497,634
Sewer	392,713	397,255
Garbage	185,029	791,220
Campground	131,323	83,807
Total Disbursements.....	1,313,759	1,769,916
Change in Cash Basis Net Position - Before Transfers	707,916	(73,189)
Net Transfers	(96,355)	(567,000)
Change in Cash Basis Net Position	611,561	(640,189)
Cash Basis Net Position – Beginning of Year	534,952	1,175,141
Prior Period Adjustment	76,631	-
Cash Basis Net Position – Beginning of Year, Restated.....	611,583	1,175,141
Cash Basis Net Position – End of Year	\$ 1,223,144	\$ 534,952

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$162,837 due to an increase in operating receipts and a decrease in the amount of transfers out of the Fund.
- The Sewer Fund cash balance increased \$327,564 due to an increase in the operating receipts and fewer disbursements.
- The Garbage Fund cash balance increased \$126,431 due in part to the sale of a capital asset and a decrease in operating disbursements.
- The Campground Fund cash balance decreased \$5,271 due to a decrease in operating receipts. The City received fewer campground fees due to the flooding that occurred in June 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. This amendment was approved on May 14, 2014 and resulted in an increase in budgeted receipts of \$199,525 and an increase in budgeted disbursements of \$2,507,396. The City had sufficient cash balances to absorb these additional costs. The majority of the budget increase was due to an increase in capital project costs for the Highway 18 and Main Street intersection and Rock Ridge Road projects.

DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2013 to June 30, 2014 follows:

	Year Ended June 30,	
	2014	2013
General Obligation	\$ 6,184,357	\$ 5,312,500
Urban Renewal TIF Revenue Bonds	355,000	405,000
Revenue Notes / Loans	4,769,000	5,052,000
Total	\$ 11,308,357	\$ 10,769,500

ECONOMIC FACTORS

The City has aggressively invested in infrastructure that is needed to facilitate the continued growth of Rock Valley. These investments include the recent Highway 18, 10th Avenue and 30th Avenue capital projects. The City continues to invest in the water and sewer enterprises so that these utilities are capable of adding customers. These investments along with the growth of the industries in Rock Valley are why the property tax valuations have increased from \$182,724,597 in 2010 to \$208,158,100 in 2014 and the taxable valuations increased from \$108,295,825 in 2010 to \$133,295,825. With the City's investment in residential developments, the City has seen seventy-seven new houses and five apartment units with a total of twenty-two units constructed since 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Tina Vande Kamp, City Clerk, 1505 Main Street, Rock Valley, Iowa 51247, (712) 476-5707.

BASIC FINANCIAL STATEMENTS

CITY OF ROCK VALLEY, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and For the Year Ended June 30, 2014

Functions/Programs	Disbursements	Charges for Services	Program Receipts	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 651,381	\$ 153,379	\$ 17,460	\$ -
Public Works	328,111	-	-	380,786
Culture and Recreation	536,499	97,747	53,914	-
Community and Economic Development	497,446	-	45,152	-
General Government	476,150	6,090	-	-
Capital Outlay	2,528,976	-	-	-
Principal	1,268,601	-	-	-
Interest	562,618	-	-	-
Total governmental activities	<u>6,864,782</u>	<u>257,216</u>	<u>116,526</u>	<u>380,786</u>
Business-Type Activities:				
Water Utility	604,694	778,910	-	1,563
Sewer Utility	392,713	274,006	-	-
Garbage Utility	185,029	758,744	-	33,360
Campground	131,323	109,842	-	-
Total Business-Type Activities:	<u>1,313,759</u>	<u>1,921,502</u>	<u>-</u>	<u>34,923</u>
Total Primary Government	<u>\$ 8,178,541</u>	<u>\$ 2,178,718</u>	<u>\$ 116,526</u>	<u>\$ 415,709</u>

General Receipts:
Property taxes
Tax Increment Financing
Local Option Sales Tax
Special Assessments
Interest
Reimbursements
Sale of Assets
Franchise Taxes/Fees
Miscellaneous
Proceeds from Financing
Interfund Transfers
Total general receipts and transfers
Change in cash basis net position
Cash basis net position - beginning
Prior period adjustment
Cash basis net position - beginning, as restated
Cash basis net position - ending

Cash Basis Net Position
Restricted:
Streets
TIF
Employee Benefits
Other Purposes
Unrestricted
Total Cash Basis Net Position

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (480,542)		\$ (480,542)
52,675		52,675
(384,838)		(384,838)
(452,294)		(452,294)
(470,060)		(470,060)
(2,528,976)		(2,528,976)
(1,268,601)		(1,268,601)
(562,618)		(562,618)
(6,110,254)		(6,110,254)
	\$ 175,779	175,779
	(118,707)	(118,707)
	607,075	607,075
	(21,481)	(21,481)
	642,666	642,666
(6,110,254)	642,666	(5,467,588)
1,109,946	-	1,109,946
1,289,016	-	1,289,016
360,843	-	360,843
5,590	-	5,590
5,213	-	5,213
35,494	-	35,494
-	65,250	65,250
227,056	-	227,056
185,943	-	185,943
1,900,000	-	1,900,000
96,355	(96,355)	-
5,215,456	(31,105)	5,184,351
(894,798)	611,561	(283,237)
106,825	534,952	641,777
(76,631)	76,631	-
30,194	611,583	641,777
\$ (864,604)	\$ 1,223,144	\$ 358,540
\$ 200,788	\$ -	\$ 200,788
167,178	-	167,178
1,465	-	1,465
473,361	-	473,361
(1,707,396)	1,223,144	(484,252)
\$ (864,604)	\$ 1,223,144	\$ 358,540

See Accompanying Notes to Financial Statements

CITY OF ROCK VALLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
As of and For the Year Ended June 30, 2014

	Special Revenue				
	General	Employee Benefits	Capital Improvement Levy Fund	Local Option Sales Tax	Road Use Tax
Receipts:					
Property Taxes	\$ 652,846	\$ 171,357	\$ 42,210	\$ -	\$ -
Tax Increment Financing	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	6,090	-	-	-	-
Intergovernmental	122,224	-	-	-	334,909
Charges for Services	449,208	-	-	-	-
Contributions	40,179	-	-	-	-
Local Option Sales Tax	-	-	-	360,843	-
Rental of City Property	7,150	-	-	-	-
Interest on Investments	5,213	-	-	-	-
Reimbursements	-	-	-	-	-
Miscellaneous	91,667	-	-	-	-
Total Receipts	1,374,577	171,357	42,210	360,843	334,909
Disbursements:					
Public Safety	594,518	56,863	-	-	-
Public Works	140,902	-	-	-	187,209
Culture and Recreation	515,274	21,225	-	-	-
Community and Economic Development	115,885	652	-	8,290	-
General Government	452,681	23,469	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	15,000	-	-	-	-
Interest	-	-	-	-	-
Total Disbursements	1,834,260	102,209	-	8,290	187,209
Excess (Deficiency) of Receipts to Disbursements	(459,683)	69,148	42,210	352,553	147,700
Other financing sources (uses):					
Proceeds from General Obligation Bonds	-	-	-	-	-
Transfers In	226,503	-	-	-	-
Transfers Out	-	(65,000)	-	(43,416)	(64,128)
Total other financing sources	226,503	(65,000)	-	(43,416)	(64,128)
Change in Cash Balances	(233,180)	4,148	42,210	309,137	83,572
Cash Balances (Deficits) - Beginning of Year	428,752	(2,683)	119,443	2,571	117,216
Prior Period Adjustment	(173,605)	-	-	-	-
Cash Balances (Deficits) - Beginning of Year, Restated	255,147	(2,683)	119,443	2,571	117,216
Cash Balances (Deficits) - End of Year	\$ 21,967	\$ 1,465	\$ 161,653	\$ 311,708	\$ 200,788
Cash Basis Fund Balances (Deficits)					
Restricted for:					
Debt Service	-	-	-	-	-
Streets	-	-	-	-	200,788
TIF	-	-	-	-	-
Employee Benefits	-	1,465	-	-	-
Other Purposes	-	-	161,653	311,708	-
Assigned to:					
Library	17,124	-	-	-	-
Fire Department	23,675	-	-	-	-
Ambulance	212,058	-	-	-	-
Unassigned	(230,890)	-	-	-	-
Total Cash Basis Fund Balances (Deficits)	\$ 21,967	\$ 1,465	\$ 161,653	\$ 311,708	\$ 200,788

See Accompanying Notes to Financial Statements

Exhibit B

Special Revenue		Nonmajor			Total
TIF Fund	Debt Service	Capital Projects	Other Governmental Funds	Governmental Funds	
\$ -	\$ 223,201	\$ -	\$ 20,332	\$ -	\$ 1,109,946
1,289,016	-	-	-	-	1,289,016
-	5,590	-	-	-	5,590
-	-	-	-	-	6,090
-	-	-	-	-	457,133
-	-	-	-	-	449,208
-	-	-	-	-	40,179
-	-	-	-	-	360,843
-	-	-	-	-	7,150
-	-	-	-	-	5,213
-	-	-	27,519	-	27,519
-	2,000	122,075	-	-	215,742
1,289,016	230,791	122,075	47,851	-	3,973,629
-	-	-	-	-	651,381
-	-	-	-	-	328,111
-	-	-	-	-	536,499
226,168	-	-	146,451	-	497,446
-	-	-	-	-	476,150
-	-	2,528,976	-	-	2,528,976
-	1,268,601	-	-	-	1,283,601
-	562,618	-	-	-	562,618
226,168	1,831,219	2,528,976	146,451	-	6,864,782
1,062,848	(1,600,428)	(2,406,901)	(98,600)	-	(2,891,153)
-	-	1,900,000	-	-	1,900,000
-	1,136,167	-	-	-	1,362,670
(1,086,130)	(7,641)	-	-	-	(1,266,315)
(1,086,130)	1,128,526	1,900,000	-	-	1,996,355
(23,282)	(471,902)	(506,901)	(98,600)	-	(894,796)
190,460	132,758	(633,564)	(248,128)	-	106,825
-	-	(46,667)	143,641	-	(76,631)
190,460	132,758	(680,231)	(104,487)	-	30,194
\$ 167,178	\$ (339,144)	\$ (1,187,132)	\$ (203,087)	\$ -	\$ (864,604)
-	-	-	-	-	-
167,178	-	-	-	-	200,788
-	-	-	-	-	167,178
-	-	-	-	-	1,465
-	-	-	-	-	473,361
-	-	-	-	-	17,124
-	-	-	-	-	23,675
-	-	-	-	-	212,058
-	(339,144)	(1,187,132)	(203,087)	-	(1,960,253)
\$ 167,178	\$ (339,144)	\$ (1,187,132)	\$ (203,087)	\$ -	\$ (864,604)

See Accompanying Notes to Financial Statements

CITY OF ROCK VALLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
As of and For the Year Ended June 30, 2014

	Business Type Activities	
	Water Utility	Sewer Utility
Operating Receipts:		
Charges for Services	\$ 778,910	\$ 758,744
Total Operating Receipts	<u>778,910</u>	<u>758,744</u>
Operating Disbursements:		
Employee Services	316,020	157,183
Distribution / Collection	212,106	151,784
Supplies	-	9,933
Repairs	23,968	23,573
Utilities	32,775	37,153
Administrative and General	19,825	13,087
Total Operating Disbursements	<u>604,694</u>	<u>392,713</u>
Excess (Deficiency) of Receipts Over Disbursements	174,216	366,031
Non-Operating Receipts:		
Sale of Capital Asset	-	-
Intergovernmental Revenue	1,563	-
Total Non-Operating Receipts	<u>1,563</u>	<u>-</u>
Excess (Deficiency) of Receipts Over Disbursements	175,779	366,031
Transfers In	-	-
Transfers Out	<u>(12,942)</u>	<u>(38,467)</u>
Change in Cash Balances	162,837	327,564
Cash Balances (Deficits) - Beginning of Year	329,148	494,607
Prior Period Adjustment	<u>80,091</u>	<u>(3,460)</u>
Cash Balances (Deficits) - Beginning of Year, Restated	<u>409,239</u>	<u>491,147</u>
Cash Balances (Deficits) - End of Year	<u>\$ 572,076</u>	<u>\$ 818,711</u>

See Accompanying Notes to Financial Statements

Exhibit C

Business Type Activities		
Garbage	Campground	Total
\$ 274,006	\$ 109,842	\$ 1,921,502
274,006	109,842	1,921,502
76,547	55,287	605,037
81,516	-	445,406
16,966	26,656	53,555
-	21,664	69,205
-	7,301	77,229
10,000	20,415	63,327
185,029	131,323	1,313,759
88,977	(21,481)	607,743
65,250	-	65,250
-	33,360	34,923
65,250	33,360	100,173
154,227	11,879	707,916
11,966	-	11,966
(39,762)	(17,150)	(108,321)
126,431	(5,271)	611,561
(332,100)	43,297	534,952
-	-	76,631
(332,100)	43,297	611,583
\$ (205,669)	\$ 38,026	\$ 1,223,144

See Accompanying Notes to Financial Statements

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage collection and campground facilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Rock Valley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Rock Valley Economic Development Corporation Loan Fund, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Rock Valley Summer Recreation.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position – reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for property taxes levied to pay for a portion of the benefits paid to City employees.

The Capital Improvement Levy Fund is used to account for property taxes levied to pay for portions of new capital improvements the City completes.

The Local Option Sales Tax Fund is used to account for the one percent local sales and services tax activity.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The TIF Fund was established in a previous fiscal year to account for major urban renewal projects and tax increment financing collections and the repayment of tax increment financing indebtedness within the City.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for the governmental receipts, charges to services, special assessments and miscellaneous receipts pertaining to its capital projects, as well as the disbursements of those projects.

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

The Campground Fund accounts for the operation and maintenance of the City's campground system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2014 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2014; however, the City's time deposits were as follows:

	<u>Maturity Date</u>	
Certificates of Deposit	December 3, 2014	<u>\$100,000</u>

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – BONDS AND NOTES PAYABLE

The City's computed legal debt limit as of June 30, 2014, is \$9,612,315 of which \$6,539,357 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2014:

	Governmental Activities	Business-Type Activities
	General Obligation Bonds and Notes Payable by Debt Service Fund	Bonds and Notes Paid by Enterprise Funds
Primary Government		
Bonds and notes payable July 1, 2013	\$ 5,312,500	\$ 5,052,000
Plus: bonds and notes issued	1,900,000	-
Less: payments	(1,028,143)	(283,000)
Bonds and notes payable June 30, 2014	<u>\$ 6,184,357</u>	<u>\$ 4,769,000</u>
Due within one year	<u>\$ 1,107,500</u>	<u>\$ 309,000</u>

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

Annual debt service requirements to maturity of General Obligation Bonds and Notes, Tax Increment Financing Revenue bonds, and Business Type Notes/Loans are as follows:

Year Ending June 30	General Obligation Bonds and Notes		Tax Increment Financing Revenue Bonds		Business Type Notes/Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$1,107,500	\$234,906	\$ 60,000	\$16,661	\$ 309,000	\$ 155,290	\$1,476,500	\$406,857
2016	1,053,857	195,444	60,000	14,201	316,000	144,767	1,429,857	354,412
2017	923,000	155,070	70,000	11,561	334,000	134,485	1,327,000	301,116
2018	795,000	120,682	80,000	8,341	342,000	123,186	1,217,000	252,209
2019	645,000	90,670	85,000	7,606	260,000	111,150	990,000	209,426
2020 – 2024	1,660,000	149,888	-	-	1,430,000	433,068	3,090,000	582,956
2025 – 2029	-	-	-	-	1,676,000	199,172	1,676,000	199,172
2030	-	-	-	-	102,000	8,280	102,000	8,280
Total	\$6,184,357	\$946,660	\$ 355,000	\$58,370	\$4,769,000	\$1,309,398	\$11,308,357	\$2,314,428

The code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$15,000 of general obligation bond principal was paid from the RLF Firefighting Equipment Fund, which is included in the general fund, during the year end June 30, 2014.

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$413,370 payable through June 2019. For the current year, principal and interest paid and total TIF receipts were \$68,610 and \$1,289,016, respectively.

Revenue Notes and Loans

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$450,000 in water revenue notes issued in June, 2008 and \$1,359,000 in water revenue notes issued in February, 2009. Proceeds from the notes provided financing for the construction of a pump station, a water main and water treatment facilities. The notes are payable solely from water customer net receipts and are payable through 2018 and 2029, respectively. The total principal and interest remaining to be paid on the notes is \$1,315,000 and \$331,246, respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$101,000, \$48,424, and \$778,910, respectively.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$260,000 in sewer revenue notes issued in June, 2008 and \$3,947,795 in sewer revenue notes issued in November, 2009. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2018 and 2030, respectively. The total principal and interest remaining to be paid on the notes is \$3,454,000 and \$978,152, respectively. The total principal and interest principal and interest paid per issuance and total customer net receipts were \$182,000, \$119,474, and \$758,744, respectively.

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) The City does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the City are reserved or pledged for debt service on the notes.

NOTE 4 – LEASES

The City of Rock Valley (lessee) on August 15, 2007, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2007 International Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$13,271. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) On August 25, 2011, entered into a nonmaintenance lease agreement with U.S. Bancorp Equipment Finance, Inc. (lessor) for the use of a 2012 Freightliner Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to five (5) years at an annual amount of \$23,166. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on January 31, 2013 entered into a capital lease agreement with Kansas State Bank, Manhattan, Kansas, (lessor) for the use of a 2013 Freightliner Truck, used in the garbage utility. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to six (6) years at an annual amount of \$32,950. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on May 16, 2014 entered into a capital lease agreement with Kansas State Bank of Manhattan, Kansas (lessor) for the use of a 2014 Pelican Street Sweeper. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up to five (5) years at an annual amount of \$32,798. The renewal option places no obligation or duty upon the City to renew the lease agreement.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations are required to contribute 9.88% of their annual covered salary and the City is required to contribute a matching amount of 9.88% of covered salary. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$74,023, \$83,944 and \$74,226, respectively, equal to the required contributions for each year.

NOTE 7 – RISK MANAGEMENT

The City of Rock Valley is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is exposed to an employee group medical insurance risk of the difference between a deductible and a fringe benefit with an estimated total risk of \$51,150.

NOTE 8 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014, is as follows:

Fund	Road Use Tax	Local Option Sales Tax	Employee Benefits	Debt Service	TIF Fund	Garbage Utility	Sewer Utility	Water Utility	Nonmajor Campground	Total Transfers In
General	\$57,816	\$43,416	\$65,000	\$7,641	\$ -	\$ 6,811	\$ 15,727	\$ 12,942	\$17,150	\$ 226,503
Debt Service	6,312	-	-	-	1,086,130	32,950	10,775	-	-	1,136,167
Garbage Utility	-	-	-	-	-	-	11,965	-	-	11,965
Total										
Transfers Out	\$64,128	\$43,416	\$65,000	\$7,641	\$1,086,130	\$ 39,761	\$ 38,467	\$ 12,942	\$17,150	\$1,374,635

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – SELF FUNDED INSURANCE

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 20 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$364 for single coverage and \$803 for family coverage. For the year ended June 30, 2014, the City contributed \$174,362 and plan members eligible for benefits contributed \$-0- to the plan.

NOTE 10 – DEFICIT FUND BALANCES

The City had five funds with deficit fund balances as of June 30, 2014. The City intends to finance these deficits from various resources including: general funds, special assessments, TIF collections and capital project debt financing.

The individual fund deficits are as follows:

Capital Projects	\$ 1,187,132
Debt Service.....	339,144
Nonmajor Special Revenue – Urban Renewal Tax Increment Financing (TIF).....	68,820
Nonmajor Special Revenue – Local Housing Assistance....	134,267
Enterprise – Garbage.....	205,669

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 – PRIOR PERIOD ADJUSTMENT

As of June 30, 2014, it was determined that the Utility Deposit Account which holds deposits for enterprise funds should be reclassified as part of the water utility fund rather than as a separate special revenue fund, as was reported in the prior year. Consequently, this resulted in a decrease of \$29,964 to governmental activities net position and an increase to business-type activities in the same amount.

Additionally, it was determined that the RLF Firefighting Equipment Fund should be reclassified as part of the General Fund. This change was determined to be necessary as the fund does not include any special revenues and only makes payments on outstanding general obligation equipment notes. This reclassification resulted in no net change to net position as the activity was moved between governmental activities.

It was also determined that the water and sewer improvement funds should be included with the corresponding enterprise funds rather than in the capital projects funds. Consequently, this resulted in a decrease in net position in the governmental net position of \$46,667 and a corresponding increase to the business type activities.

NOTE 12 – SUBSEQUENT EVENTS

On June 26, 2014, the City approved financing in an amount not to exceed \$2,400,000 for various street paving, water, sanitary sewer and storm sewer, and light control projects. As of June 30, 2014, no funds had been received by the City.

On July 24, 2014, the City approved financing not to exceed \$390,000 for the extension of sanitary sewer mains in the Rock Ridge and East Meadows additions.

In late June 2014, the Rock River in the City of Rock Valley incurred severe flooding causing significant damage to the City's infrastructure and homes in the City. The City of Rock Valley was approved for a Community Disaster Loan for \$939,094 from the Federal Emergency Management Agency. As of June 30, 2014, no funds had been received by the City.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ROCK VALLEY, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Taxes	\$ 1,029,791	\$ 1,029,791	\$ 1,109,946	\$ 80,155
Other city taxes	468,729	448,929	360,843	(88,086)
Special Assessments	46,755	289,390	5,590	(283,800)
Licenses and Permits	5,005	5,223	6,090	867
Intergovernmental	365,532	413,651	492,056	78,405
Charges for Services	2,070,840	2,053,693	2,370,710	317,017
Contributions	-	-	40,179	40,179
TIF Revenue	1,500,000	1,500,000	1,289,016	(210,984)
Rental of City Property	348,800	325,300	7,150	(318,150)
Interest	-	-	5,213	5,213
Reimbursements	-	-	27,519	27,519
Miscellaneous	831,800	800,800	215,742	(585,058)
Total Receipts	6,667,252	6,866,777	5,930,054	(936,723)
Disbursements				
Public Safety	561,100	645,400	651,381	(5,981)
Public Works	376,500	560,700	328,111	232,589
Culture and Recreation	606,000	560,550	536,499	24,051
Community and Economic Development	420,624	472,000	497,446	(25,446)
General Government	378,900	438,250	476,150	(37,900)
Capital Projects	430,000	2,602,070	2,528,976	73,094
Debt Service	1,875,334	1,875,334	1,846,219	29,115
Business Type / Enterprises	1,413,250	1,414,800	1,313,759	101,041
Total Disbursements	6,061,708	8,569,104	8,178,541	390,563
Excess (deficiency) of receipts over disbursements	605,544	(1,702,327)	(2,248,487)	(546,160)
Other financing sources (uses):				
Proceeds from General Obligation Bonds	-	1,900,000	1,900,000	-
Sale of Assets	-	-	65,250	65,250
Transfers In	2,571,000	4,016,462	1,374,636	(2,641,826)
Transfers (Out)	(2,571,000)	(4,016,462)	(1,374,636)	2,641,826
Total other financing sources	-	1,900,000	1,965,250	65,250
Excess of receipts and other financing sources over disbursements and other financing uses	605,544	197,673	(283,237)	(480,910)
Balances Beginning of Year	641,777	641,777	641,777	-
Balances End of Year	\$ 1,247,321	\$ 839,450	\$ 358,540	\$ (480,910)

CITY OF ROCK VALLEY, IOWA
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budget receipts by \$199,525 and disbursements by \$2,707,396. Total other financing sources increased due to the issuance of \$1,900,000 in G.O. Bonds. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded amounts budgeted in the community and economic development and general government functions.

CITY OF ROCK VALLEY, IOWA
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Nonmajor Funds
As of and For the Year Ended June 30, 2014

Schedule 1

	Special Revenue Funds				Total
	Urban Renewal Tax Increment	Local Housing Assistance	RLF Firefighting Equipment	Utility Deposit Account	Nonmajor Governmental Funds
Receipts:					
Property Taxes	\$ 20,332	\$ -	\$ -	\$ -	\$ 20,332
Reimbursements	-	27,519	-	-	27,519
Total Receipts	20,332	27,519	-	-	47,851
Disbursements:					
Community and Economic Development	-	146,451	-	-	146,451
Total Disbursements	-	146,451	-	-	146,451
Excess (Deficiency) of Receipts over Disbursements	20,332	(118,932)	-	-	(98,600)
Change in Cash Balances	20,332	(118,932)	-	-	(98,600)
Cash Balances (Deficits) - Beginning of Year	(89,152)	(15,335)	(173,605)	29,964	(248,128)
Prior Period Adjustment	-	-	173,605	(29,964)	143,641
Cash Balances as Restated	(89,152)	(15,335)	-	-	(104,487)
Cash Balances (Deficits) - End of Year	\$ (68,820)	\$ (134,267)	\$ -	\$ -	\$ (203,087)
Cash Basis Fund Balances (Deficits)					
Unassigned	(68,820)	(134,267)	-	-	(203,087)
Total Cash Basis Fund Balances (Deficits)	\$ (68,820)	\$ (134,267)	\$ -	\$ -	\$ (203,087)

CITY OF ROCK VALLEY, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Ten Years Ended
June 30, 2014

Schedule 2

Receipts:

	2014	2013	2012	2011
Property tax	\$ 1,109,946	\$ 1,059,129	\$ 987,446	\$ 926,970
Tax increment financing revenue	1,289,016	1,362,663	1,406,356	1,377,680
Local Option Sales Tax	360,843	-	-	-
Other city tax	-	378,015	338,681	296,081
Licenses and permits	6,090	5,040	4,950	2,820
Use of money and property	12,363	19,807	15,127	31,208
Intergovernmental	457,133	410,797	1,175,789	706,807
Charges for service	449,208	616,311	490,765	532,470
Special Assessments	5,590	3,550	44,341	208,274
Reimbursements	27,519	-	-	-
Miscellaneous	255,921	612,869	491,049	562,209
Proceeds from Debt Financing	1,900,000	830,000	-	-
Total	<u>\$ 5,873,629</u>	<u>\$ 5,298,181</u>	<u>\$ 4,954,504</u>	<u>\$ 4,644,519</u>

Disbursements:

Operating:

Public safety	\$ 651,381	\$ 725,525	\$ 742,987	\$ 583,228
Public works	328,111	300,265	322,083	252,038
Culture and recreation	536,499	527,853	395,948	550,449
Community and economic development	497,446	434,955	826,874	829,052
General government	476,150	363,621	392,611	327,383
Debt service	1,846,219	1,818,924	1,671,222	1,551,166
Capital projects	2,528,976	966,494	1,957,568	2,895,674
Total	<u>\$ 6,864,782</u>	<u>\$ 5,137,637</u>	<u>\$ 6,309,293</u>	<u>\$ 6,988,990</u>

See accompanying independent auditor's report

2010	2009	2008	2007	2006	2005
\$ 773,687	\$ 687,508	\$ 682,135	\$ 625,775	\$ 634,496	\$ 646,557
1,237,110	1,179,064	1,010,235	927,644	738,871	687,448
-	-	-	-	-	-
274,145	294,471	277,616	250,622	235,733	204,949
3,433	4,683	5,550	3,720	4,231	2,905
23,920	33,499	42,345	62,445	43,234	36,155
294,898	253,255	931,197	253,368	258,274	376,796
608,691	152,308	88,893	94,323	96,027	31,924
22,820	8,549	-	33,803	36,273	59,908
-	-	-	-	-	-
413,509	426,063	437,382	670,368	812,657	464,924
-	-	-	-	-	-
\$ 3,652,213	\$ 3,039,400	\$ 3,475,353	\$ 2,922,068	\$ 2,859,796	\$ 2,511,566

\$ 600,269	\$ 493,165	\$ 399,134	\$ 490,967	\$ 421,157	\$ 570,793
280,365	349,585	253,151	178,929	247,090	211,566
474,454	498,116	389,558	425,848	473,401	392,464
407,636	1,234,591	466,188	746,409	510,884	609,298
385,325	310,313	347,828	341,847	296,338	160,388
1,112,994	964,386	744,144	695,899	418,412	320,293
4,829,632	3,692,617	3,754,667	625,366	1,383,236	1,041,728
\$ 8,090,675	\$ 7,542,773	\$ 6,354,670	\$ 3,505,265	\$ 3,750,518	\$ 3,306,530

See accompanying independent auditor's report

CITY OF ROCK VALLEY
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 3

Obligation Type	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and unpaid
General Obligation:									
G.O. Capital Loan Notes- Series 2007	9/25/2007	3.85-4.25%	\$ 1,500,000	\$ 740,000	-	\$ 170,000	\$ 570,000	\$ 30,920	\$ -
G.O. Capital Loan Notes- Series 2006	9/25/2006	3.75-4.30%	850,000	295,000	-	95,000	200,000	12,443	-
G.O. Capital Loan Notes- 300th Street	9/1/2005	3.85%	800,000	280,000	-	83,143	196,857	13,636	-
G.O. Fire Fighting Equipment Notes	10/11/2004	0%	150,000	22,500	-	15,000	7,500	-	-
G.O. Capital Loan Notes- Series 2005	10/1/2005	2.00-3.90%	1,155,000	275,000	-	135,000	140,000	10,456	-
G.O. Capital Loan Notes- Series 2008	6/30/2008	2.45-4.20%	1,500,000	900,000	-	160,000	740,000	36,020	-
G.O. Capital Loan Notes- Series 2009	2/19/2009	2.50-4.90%	435,000	305,000	-	40,000	265,000	13,045	-
G.O. Capital Loan Notes- Series 2009	8/27/2009	4.00-5.00%	370,000	255,000	-	35,000	220,000	12,176	-
G.O. Capital Loan Notes- Series 2010	6/30/2010	2.20-4.30%	1,160,000	925,000	-	100,000	825,000	35,268	-
G.O. Capital Loan Notes- Series 2011	10/6/2011	2.50-3.95%	600,000	525,000	-	45,000	480,000	16,755	-
G.O. Capital Loan Notes- Series 2012	8/15/2012	2.50-3.50%	830,000	790,000	-	50,000	740,000	23,465	-
G.O. Capital Loan Notes- Series 2013	8/14/2013	2.50-4.40%	1,900,000	-	1,900,000	100,000	1,800,000	54,021	-
Total G.O. Bonds				\$ 5,312,500	\$ 1,900,000	\$ 1,028,143	\$ 6,184,357	\$ 258,206	\$ -
Tax Increment Financing Revenue Bonds:									
Tax Increment (TIF)	2/19/2009	2.70-5.20%	565,000.00	\$ 405,000	-	\$ 50,000	\$ 355,000	\$ 18,610	\$ -
Revenue Notes:									
Water Revenue Notes- 2008	6/30/2008	2.60-4.33%	450,000	265,000	-	45,000	220,000	11,016	-
Sewer Revenue Notes- 2008	6/30/2008	2.60-4.35%	260,000	145,000	-	25,000	120,000	6,016	-
Drinking Water Planning & Design Loan	2/4/2009	3.00%	1,359,000	1,151,000	-	56,000	1,095,000	37,408	-
Clean Water Planning & Design Loan	11/4/2009	3.00%	3,947,795	3,491,000	-	157,000	3,334,000	113,458	-
Total Revenue Bonds				\$ 5,052,000	-	\$ 283,000	\$ 4,769,000	\$ 167,897	\$ -

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

General Obligation Notes						
Year Ending June 30,	Series 2007		Series 2005		Series 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 180,000	\$ 23,950	\$ 140,000	\$ 5,460	\$ 60,000	\$ 22,216
2016	190,000	16,480	-	-	70,000	20,714
2017	200,000	8,500	-	-	80,000	18,966
2018	-	-	-	-	90,000	16,924
2019	-	-	-	-	100,000	14,406
2020	-	-	-	-	110,000	11,404
2021	-	-	-	-	110,000	7,886
2022	-	-	-	-	120,000	4,200
2023	-	-	-	-	-	-
	<u>\$ 570,000</u>	<u>\$ 48,930</u>	<u>\$ 140,000</u>	<u>\$ 5,460</u>	<u>\$ 740,000</u>	<u>\$ 116,716</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

General Obligation Notes						
Year Ending June 30,	Firefighter RLF		Capital Loan Series 2006		Capital Loan Series 2009	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 7,500	\$ -	\$ 100,000	\$ 8,618	\$ 40,000	\$ 11,626
2016	-	-	100,000	4,360	50,000	10,086
2017	-	-	-	-	50,000	8,036
2018	-	-	-	-	60,000	5,886
2019	-	-	-	-	65,000	3,186
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 12,978</u>	<u>\$ 265,000</u>	<u>\$ 38,820</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

General Obligation Notes						
Year Ending June 30,	Capital Loan 300th Street		Capital Loan Series 2010		Capital Loan Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 95,000	\$ 8,858	\$ 110,000	\$ 32,318	\$ 50,000	\$ 15,630
2016	101,857	5,756	122,000	28,678	60,000	14,380
2017	-	-	133,000	24,588	65,000	12,850
2018	-	-	145,000	19,336	70,000	10,996
2019	-	-	155,000	13,390	75,000	8,758
2020	-	-	160,000	6,880	75,000	6,170
2021	-	-	-	-	85,000	3,358
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
	<u>\$ 196,857</u>	<u>\$ 14,614</u>	<u>\$ 825,000</u>	<u>\$ 125,190</u>	<u>\$ 480,000</u>	<u>\$ 72,142</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

General Obligation Notes								
Year Ending June 30,	Capital Loan Series 2008		Capital Loan Series 2009		Capital Loan Series 2013		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 170,000	\$ 30,020	\$ 35,000	\$ 10,600	\$ 120,000	\$ 65,610	\$ 1,107,500	\$ 234,906
2016	180,000	23,390	40,000	8,990	140,000	62,610	1,053,857	195,444
2017	190,000	16,190	45,000	7,110	160,000	58,830	923,000	155,070
2018	200,000	8,400	50,000	4,950	180,000	54,190	795,000	120,682
2019	-	-	50,000	2,500	200,000	48,430	645,000	90,670
2020	-	-	-	-	220,000	41,330	565,000	65,784
2021	-	-	-	-	240,000	32,970	435,000	44,214
2022	-	-	-	-	260,000	23,370	380,000	27,570
2023	-	-	-	-	280,000	12,320	280,000	12,320
	<u>\$ 740,000</u>	<u>\$ 78,000</u>	<u>\$ 220,000</u>	<u>\$ 34,150</u>	<u>\$ 1,800,000</u>	<u>\$ 399,660</u>	<u>\$ 6,184,357</u>	<u>\$ 946,660</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

Year Ending June 30,	Revenue Loans			
	Drinking Water Planning &		Clean Water Planning & Design	
	Principal	Interest	Principal	Interest
2015	\$ 58,000	\$ 35,750	\$ 171,000	\$ 105,240
2016	60,000	33,595	176,000	100,110
2017	62,000	31,915	182,000	94,830
2018	64,000	29,900	188,000	89,370
2019	66,000	27,780	194,000	83,370
2020	68,000	25,675	200,000	77,910
2021	70,000	23,465	207,000	71,910
2022	73,000	21,190	213,000	65,700
2023	75,000	18,818	220,000	59,310
2024	77,000	16,380	227,000	52,710
2025	80,000	13,878	235,000	45,900
2026	83,000	11,278	243,000	38,850
2027	85,000	8,580	250,000	31,560
2028	88,000	5,818	259,000	24,060
2029	86,000	2,958	267,000	16,290
2030	-	-	102,000	8,280
	<u>\$ 1,095,000</u>	<u>\$ 306,980</u>	<u>\$ 3,334,000</u>	<u>\$ 965,400</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

Year Ending June 30,	Revenue Loans					
	2008 Sewer Revenue Notes		2008 Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 30,000	\$ 5,040	\$ 50,000	\$ 9,260	\$ 309,000	\$ 155,290
2016	30,000	3,826	50,000	7,236	316,000	144,767
2017	30,000	2,580	60,000	5,160	334,000	134,485
2018	30,000	1,306	60,000	2,610	342,000	123,186
2019	-	-	-	-	260,000	111,150
2020	-	-	-	-	268,000	103,585
2021	-	-	-	-	277,000	95,375
2022	-	-	-	-	286,000	86,890
2023	-	-	-	-	295,000	78,128
2024	-	-	-	-	304,000	69,090
2025	-	-	-	-	315,000	59,778
2026	-	-	-	-	326,000	50,128
2027	-	-	-	-	335,000	40,140
2028	-	-	-	-	347,000	29,878
2029	-	-	-	-	353,000	19,248
2030	-	-	-	-	102,000	8,280
	<u>\$ 120,000</u>	<u>\$ 12,752</u>	<u>\$ 220,000</u>	<u>\$ 24,266</u>	<u>\$ 4,769,000</u>	<u>\$ 1,309,398</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Schedule 4

Year Ending June 30,	Revenue Bonds	
	Tax Increment Financing Revenue Bonds	
	Principal	Interest
2015	\$ 60,000	\$ 16,661
2016	60,000	14,201
2017	70,000	11,561
2018	80,000	8,341
2019	85,000	7,606
	<u>\$ 355,000</u>	<u>\$ 58,370</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Rock Valley
Rock Valley, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Rock Valley's basic financial statements, and have issued our report thereon dated May 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rock Valley, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rock Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Valley's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items II-A-14 and II-B-14 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Valley, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had

an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Rock Valley, Iowa's Responses to Finding

The City of Rock Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Rock Valley, Iowa's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Rock Valley during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

William & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
May 27, 2015

**CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Part I – Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

MATERIAL WEAKNESSES:

II-A-14 Financial Accounting – Segregation of Duties

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City Clerk is involved in almost all phases of the finance operations, including cash receipts listing, bank deposits, check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

**CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Part II – Findings Related to the Financial Statements (Continued):

II-B-14 Financial Reporting

Observation – During the audit, we identified multiple instances of revenues, disbursements and transfers that were not properly recorded in the general ledger.

Recommendation – The City should implement procedures to ensure all revenues, disbursements and other financing sources are properly classified and recorded in the City's financial statements.

Response – The City will review receipts, disbursements and other financing sources to ensure that they are properly recorded in the financial statements.

Conclusion – Response accepted.

Part III – Other Findings Related to Statutory Reporting

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, community & economic development and general government functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-14 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

III-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions – Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	
Van's Food Pride, owned by Mayor, Kevin Van Otterloo	Supplies and groceries	\$ 2,941 (1)
VH Manufacturing, owned by Judy Van't Hul's son, Jeremy Van't Hul	TIF Payment	\$12,000 (1)
Siouxland Insurance, LLC, owned by Council Member, Jeff Koldenhoven	Insurance	\$99,815 (1)

(1) This transaction may represent a conflict of interest and the City should contact legal council for determination as per Chapter 331.342 (j) of the Code of Iowa. Per City management it was noted that the City's board did approve the transactions.

CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Part III – Other Findings Related to Statutory Reporting (Continued)

III-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-14 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.

III-H-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-14 Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

III-J-14 Annual Financial Report – The annual financial report was not filed by December 1.

Recommendation – The annual financial report should be completed by December 1 to comply with the Code of Iowa.

Response – The City will work to complete the annual financial report by December 1 in the future.

Conclusion – Response accepted.